



# House of Representatives

General Assembly

**File No. 336**

February Session, 2016

House Bill No. 5171

*House of Representatives, March 31, 2016*

The Committee on Higher Education and Employment Advancement reported through REP. WILLIS, R. of the 64th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT CREATING A SLIDING SCALE FOR LETTERS OF CREDIT FILED BY PRIVATE OCCUPATIONAL SCHOOLS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (d) of section 10a-22c of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2016*):

4 (d) No certificate to operate a new private occupational school shall  
5 be issued by the executive director pursuant to section 10a-22d until  
6 such private occupational school seeking authorization files with the  
7 executive director an irrevocable letter of credit (1) issued by a bank  
8 with its main office or branch located within this state, (2) in an  
9 amount to be determined according to a sliding scale developed by the  
10 executive director based on the proposed student enrollment, the  
11 proposed school catalog and financial statements detailing the  
12 condition of the school, submitted in accordance with the provisions of  
13 subsection (c) of section 10a-22b, but not to exceed the penal amount of

14 forty thousand dollars, and (3) guaranteeing the payments required of  
15 the school to the private occupational school student protection  
16 account in accordance with the provisions of section 10a-22u. The letter  
17 of credit shall be payable to the private occupational school student  
18 protection account in the event that such school fails to make  
19 payments to the account as provided in subsection (a) of section 10a-  
20 22u or in the event the state takes action to reimburse the account for a  
21 tuition refund paid to a student pursuant to the provisions of section  
22 10a-22v, provided the amount of the letter of credit to be paid into the  
23 private occupational school student protection account shall not  
24 exceed the amounts owed to the account. The letter of credit required  
25 by this subsection shall be released twelve years after the date of initial  
26 approval, provided evidence of fiscal soundness has been verified.

This act shall take effect as follows and shall amend the following sections:

Section 1	July 1, 2016	10a-22c(d)
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**HED**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### **OFA Fiscal Note**

#### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 17 \$</b>	<b>FY 18 \$</b>
Higher Ed., Off.	Private Occupational School Student Protection Account - Revenue Loss	Potential	Potential

**Municipal Impact:** None

#### **Explanation**

The bill results in a potential revenue loss to the Private Occupational School Student Protection Account (POSA). Under current law, any private occupational school seeking authorization to operate in Connecticut must provide OHE with, among other application materials, an irrevocable letter of credit in the amount of \$40,000. The bill requires the executive director of the Office of Higher Education (OHE) to develop a sliding scale based on a school's proposed student enrollment, proposed school catalog, and financial statements detailing the condition of the school. The maximum amount a school could be required to obtain a letter of credit for, under the sliding scale is \$40,000.

Developing a sliding scale could result in reduced letters of credit for various schools, which could equate to less revenue in the POSA if a school unexpectedly closes. The current balance in the POSA is approximately \$2.0 million.

#### **The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to the number and amount of reduced letters of credit.

**OLR Bill Analysis****HB 5171*****AN ACT CREATING A SLIDING SCALE FOR LETTERS OF CREDIT  
FILED BY PRIVATE OCCUPATIONAL SCHOOLS.*****SUMMARY:**

By law, any private occupational school seeking authorization to operate in Connecticut must provide the Office of Higher Education (OHE) with, among other application materials, an irrevocable letter of credit in the amount of \$40,000. The letter guarantees the school's payments to the private occupational school student protection account (see BACKGROUND). This bill requires the OHE executive director to create a sliding scale to determine the letter's required amount for each applicant school, rather than require all schools to obtain a letter for \$40,000.

Under the bill, the executive director must base the sliding scale upon the school's proposed student enrollment, proposed school catalog, and financial statements detailing the condition of the school. The maximum amount for which a school could be required to obtain a letter of credit under the scale is \$40,000.

Under existing law and unchanged by the bill, the letter of credit must be (1) issued by a bank with its main office or branch located in Connecticut and (2) payable to the private occupational school student protection account in the event that the school fails to make payment to the account or the state takes action to reimburse the account for a tuition refund paid to a student.

EFFECTIVE DATE: July 1, 2016

**BACKGROUND*****Student Protection Account***

This account is used to make tuition refunds to students unable to complete a course at a private occupational school because the school becomes insolvent or ceases operating. It is funded by (1) quarterly assessments on private occupational schools' tuition revenue received from Connecticut students and (2) other fees related to the schools' operations.

**COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable

Yea    19    Nay   0    (03/15/2016)